



PAYCE CONSOLIDATED LIMITED

EXTRAORDINARY GENERAL MEETING

MONDAY 4 MAY 2015

CHAIRMAN'S ADDRESS

As Chairman, I now provide a summary of the transaction your Directors are asking you to approve today. The approval of this transaction is the only item of business for consideration at today's meeting.

As part of PAYCE's ongoing Capital Management strategy, the Directors have considered a variety of options which may offer Shareholders liquidity in an otherwise illiquid stock, and maintain PAYCE's financial position and ability to maintain its business operations.

The Capital Management strategy also includes the consideration, declaration and payment of dividends to Shareholders where appropriate. The recent payment of a 10 cent dividend to Shareholders for the third year in a row is evidence of this.

Pursuant to the Notice of Meeting, the Directors are seeking Shareholder approval for an equal access off-market buy-back of up to 9,915,075 of PAYCE's Ordinary Shares, representing one-third of PAYCE's issued share capital.

The consideration for the Buy-Back by PAYCE of each Ordinary Share will be:

- \$0.80 cash paid upon cancellation of the Ordinary Shares;
- \$0.80 cash paid 12 months after the cancellation of the Ordinary Shares;
- \$0.70 cash paid 18 months after the cancellation of the Ordinary Shares; and
- one Preference Share issued at \$7.50 on the terms summarised in Section 2.2 and set out in greater detail in Schedule 1 of the Explanatory Statement.

If the two Resolutions set out in the Notice of Meeting are approved today, an Offer Document which includes a Prospectus for the issue of Preference Shares and an Application & Acceptance Form, will be sent to all Shareholders who hold ordinary shares as at the Record Date of 11 May 2015.

Shareholders have complete freedom to decide whether or not to participate in the Buy-Back. As a Shareholder you will have a clear choice between an ordinary voting share with no certainty as to dividends, or a cash payment of \$2.30 and a non voting Preference Share with preferred rights to dividends and restrictions placed on PAYCE if dividends are not paid.

If the Resolutions are passed and you receive the Offer Document but wish to remain an ordinary Shareholder, you need do nothing at that stage.

If the Resolutions are passed and you wish to accept the Preference Share offering for part or all of your holding, then you will need to accept the offer as outlined in the Offer Document when it is forwarded to you in due course.

The Independent Directors of PAYCE are of the opinion that the proposal to offer Shareholders the opportunity to participate in the Buy-Back of Ordinary Shares, and issue Preference Shares as partial consideration, is in the best interests of PAYCE. An Independent Expert's Report has been prepared in order to provide Shareholders with an independent opinion regarding the fairness and reasonableness of the proposed Buy-Back to Non Associated Shareholders and the value of the consideration being offered. This report concludes that the consideration for the Buy-Back is both fair and reasonable; and was annexed to the Explanatory Statement for your consideration.

The Independent Directors recommend that you vote in favour of the Resolutions to approve the Buy-Back and issue Preference Shares.

However, the Independent Directors make no recommendation on the participation of individual shareholders in the Buy-Back should the Resolutions be passed. The decision of whether or not to participate in the Buy-Back is at the complete discretion of each Shareholder at that point in time.

If both Resolutions are approved and the Buy-Back proceeds, all of the Ordinary Shares which are bought back will be cancelled, subject to any Scale-Back requirements. If the Buy-Back Limit is reached, the total number of Ordinary Shares on issue will reduce from 29,745,225 to 19,830,150.

As a consequence of the cancellation of Ordinary Shares bought back by PAYCE, the percentage shareholding and voting power of Shareholders who do not participate in the Buy-Back will increase.

This may materially alter the ownership makeup of PAYCE. At this point, it is not possible to determine the precise extent to which the ownership makeup of PAYCE will change, as that will depend on the level of participation in the Buy-Back.

Because I believe it is important that entities associated with me do not influence the outcome of the vote on the Resolutions regarding the Buy-Back and the issue of Preference Shares, all entities associated with me have undertaken not to vote on these Resolutions.

Furthermore, as a Director and major shareholder in PAYCE and as previously advised within the Explanatory Statement attached to the Notice of Meeting, if these Resolutions are approved, I do not intend for 9,865,460 of Ordinary Shares held by entities associated with me to participate in the Buy-Back.

I do however, intend to participate in the Buy-Back for other holdings of mine totalling up to 1,660,000 Ordinary Shares, should these Resolutions be passed. It is my intention that following the Buy-Back, entities associated with me will continue to hold less than 50% of the Ordinary Shares in PAYCE in total.

Brian Boyd
Chairman